

*SECOND CENTURY OF THE BANK OF
ENGLAND. I 3 E*

the Bank of England for cash to meet emergencies. The system thus created was graphically called "the one reserve system," and under it the credit of the entire business community depends upon the solvency of the Bank of England.¹

Under this system the deposits of other banks at the Bank of England tend to increase in times of anxiety. The joint stock and private banks, in the country as well as in the city, instead of drawing gold and notes from the centre to put in their own vaults, as is done by the banks of the United States in times of stress, obtain rediscounts at the Bank of England and carry the proceeds to their deposit accounts there, in order to be able to draw checks freely on the bank, which can be exchanged for notes, if desired. Thus, in 1857, bankers' balances increased from £3,400,000 on November 4th to £5,400,000 on November 25th. In 1866, in one week, between May 9th and May 16th, bankers' balances rose from £5,000,000 to £7,900,000, and in 1875 there was an increase from £7,274,000 on May 19th to £11,857,000 on June 2d.⁹ In 1890, when separate returns were no longer published, the influence of the bankers' balances was shown by the increase of general deposits from £30,286,000 on November 12th to £36,365,000 on November 19th.

The characteristic features of English banking in recent years have been the extension of banking privileges and the consolidation and growth in power of the joint stock banks. The latter did not enjoy the privilege of limited liability in early days and refused to avail themselves of it when it was granted in 1858; but the collapse of the City of Glasgow Bank in Scotland, with the accompanying ruin of many shareholders, as told hereafter, led most of the joint stock banks to accept the Act of 1879, authorizing the

¹The Irish and Scotch banks of issue hold gold funds, which amounted on May 30, 1908, to £9,997,073, but this gold is more or less tied up by the laws governing their circulation, and calls are almost invariably made for gold upon the Bank of England in times of stringency.

²Palgrave, 24-25.